

Message Text

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ACTION EUR-25

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INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION USEC BRUSSELS

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C O N F I D E N T I A L MADRID 7389

E.O. 11652: N/A

TAGS: ETRD SP

SUBJECT: SPANISH "COUNTEROFFENSIVE" ON EEC PREFERENTIAL
AGREEMENT NEGOTIATION FRONT

REF: MADRID -299; USEC BRUSSELS 7128; MADRID 4094

1. IN VIEW OF THE VERY SLOW NEGOTIATING PROCESS WITH THE
EEC ON A NEW PREFERENTIAL AGREEMENT AND THE UPCOMING
EXPIRATION OF THE PROTOCOL THAT ESSENTIALLY PROVIDED
CONFIDENTIAL

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FOR A STANDSTILL DURING 1973, THE GOS HAS UNDERTAKEN TO
STATE ITS CURRENT BARGAINING POSITION IN A LETTER SENT TO
THE NINE COMMUNITY MEMBER NATIONS AND IN A SERIES OF
RECENT MINISTERIAL-LEVEL VISITS TO VARIOUS OF THE EEC

CAPITALS. THE URGENT PROBLEM FOR SPAIN IS THAT JANUARY 1, 1974 WILL SOON BE HERE AND THE PROSPECT IS THAT NO NEW AGREEMENT WITH THE COMMUNITY WILL HAVE BEEN REACHED TO COVER THE TRADING SITUATION WITH THE THREE NEW COMMUNITY MEMBERS WHICH WILL START MOVING TOWARDS THE HIGHER CXT ON AGRICULTURAL PRODUCTS THEREBY UNFAVORABLY AFFECTING SPANISH EXPORTS.

2. A LETTER WAS SENT ON DECEMBER 4 BY SPANISH AMBASSADOR TO THE EEC ALBERTO ULLASTRES TO EACH OF THE NINE MEMBER NATIONS OF THE COMMUNITY EXPLICITLY STATING THE SPANISH POSITION. SUMMARIZED, THE LETTER (COMPLETE TEXT OF LETTER TRANSMITTED REF EMBASSY AIRGRAM) STATES THAT A COMPLEX SITUATION WILL ARISE BEGINNING NEXT YEAR WHICH SHOULD BE AVOIDED IN THE INTEREST OF ALL CONCERNED. THE SPANISH ARE WILLING TO HAVE A NEGOTIATING SESSION AS SOON AS THE COMMUNITY FINDS IT POSSIBLE, AT WHICH TIME THE SPANISH WOULD AGREE TO A FREE TRADE AREA IN INDUSTRIAL GOODS THAT WOULD BE ARRIVED AT JANUARY 1, 1984 (WHICH IS ONE YEAR EARLIER THAN PREVIOUSLY OFFERED). THE STAGING OF THE TARIFF DISMANTLEMENT FOR THESE PRODUCTS WOULD INCLUDE COMPLETE ELIMINATION OF DUTIES ON 20 PERCENT OF ITS INDUSTRIAL IMPORTS BY JULY 1, 1977; AN ADDITIONAL 10 PERCENT OF INDUSTRIAL IMPORTS WOULD HAVE TARIFF REDUCTIONS OF 50 P/C BY THE SAME DATE WITH A LINEAR REDUCTION TO ZERO LEVEL ON THE REMAINING 50 P/C TO BE CARRIED OUT BY JANUARY 1, 1984. THE REST OF THE INDUSTRIAL TARIFF (OR 70 P/C OF THE TOTAL) WOULD BE REDUCED IN EQUAL PARTS BETWEEN JANUARY 1, 1974 TO REACH A ZERO LEVEL BY JANUARY 1, 1984. THE RESULT OF THIS STAGING WOULD REFLECT A TRADE-WEIGHTED 50 P/C REDUCTION OF SPAIN'S DUTIES FOR INDUSTRIAL IMPORTS BY 1977. THIS COMPARES WITH THE 32 P/C TRADE-WEIGHTED AVERAGE REDUCTION OFFERED BY THE SPANISH IN THEIR LAST NEGOTIATING SESSION. THE FOREGOING IS CONDITIONED TO SOME SPECIFIC IMPROVEMENT ON THE COMMUNITY'S PRESENT PUBLIC AND MANDATED NEGOTIATING POSITION ON AGRICULTURAL PRODUCTS AND AN "AGRICULTURAL RENDEVOUS" IN 1977. THIS LATTER WOULD BE SPECIFICALLY PROVIDED FOR IN THE AGREEMENT AND WOULD RE-CONFIDENTIAL

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QUIRE A REVIEW OF THE SITUATION AND PROGRESS THAT HAD BEEN MADE UP TO THAT TIME AND WHICH WOULD OF COURSE BE AIMED AT OBTAINING GREATER AGRICULTURAL CONCESSIONS FOR SPAIN THAN IS PRESENTLY PRACTICABLE FOR THE EEC TO GRANT GIVEN THE CAP AND RELATED PROBLEMS.

3. THE ULLASTRES LETTER CONTINUES THAT IN THE EVENT THAT AN AGREEMENT ALONG THE FOREGOING LINES IS NOT REACHED BY JANUARY 1, 1974, THERE CAN BE NO OTHER SOLUTION THAN THE EXTENSION OF THE JAN 29, 1973 PROTOCOL WHICH WOULD MAINTAIN THE CUSTOMS "STANDSTILL" FOR THE THREE NEW MEMBERS TOWARD SPAIN.

4. AS PART OF THE SPANISH "COUNTEROFFENSIVE," AS IT IS CALLED

IN THE PRESS, FOREIGN MINISTER LOPEZ RODO HAS TRAVELED TO GERMANY, MINISTER OF INDUSTRY LOPEZ DE LETONA TO THE HAGUE AND PARIS WHILE AGRICULTURE MINISTER ALLENDE HAS CALLED ON HIS COUNTERPARTS IN ITALY AND BELGIUM. THE PURPOSE OF THESE VISITS WAS TO AMPLIFY THE VARIOUS POINTS STATED IN THE ULLASTRES LETTER AND TO OTHERWISE LOBBY FOR THE SPANISH CAUSE. THE PRINCIPAL ANGLE WHICH THE THREE MINISTERS REPORTEDLY PURSUED WAS THAT SPAIN SHOULD BE TREATED APART FROM THE MEDITERRANEAN POLICY OF THE COMMUNITY. IT IS REALIZED THAT BEING LUMPED WITH ISRAEL AND THE MAHGREB STATES IN THE COMMUNITY'S MEDITERRANEAN APPROACH SPAIN COULD BE BOGGED DOWN FOREVER IN THE NEGOTIATION PROCESS. THEREFORE, THE MINISTERS SOUGHT TO APPLY PRESSURE AT THE HIGHEST LEVELS IN THE GOVERNMENTS OF THE COMMUNITY MEMBER NATIONS IN ORDER TO BREAK OUT OF THE PRESENTLY STALEMATED SITUATION. THE HOPE IS THAT ON DECEMBER 18 WHEN THE COUNCIL OF MINISTERS OF THE COMMUNITY MEETS IT WILL BE SOMEHOW FAVORABLY DISPOSED TO THE SPANISH VIEW AND ACT ACCORDINGLY TO ACCOMMODATE THE PARTICULARLY DIFFICULT ECONOMIC AND LEGAL PROBLEMS THAT WOULD OTHERWISE RESULT BY LETTING THE MATTER DRAG ON IN ITS CURRENT INDETERMINATE STATUS.

5. BEGIN CONFIDENTIAL. COMMENT. THE NEW GOS OFFER REPRESENTS SOME IMPROVEMENT ON THE INDUSTRIAL GOODS SIDE AND ONLY VAGUE REFERENCE TO THE ALL-IMPORTANT AGRICULTURAL PRODUCTS ISSUE, WHILE THERE HAS BEEN NO EXPLICIT ACCEPTANCE OF THE COMMUNITY'S PAST OFFER OF AGRICULTURAL CONCESSIONS AND THE SPANISH CONTINUE PUBLICLY TO MAINTAIN THE NECESSITY CONFIDENTIAL

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OF "PARALLELISM" IN MUTUAL CONCESSIONS, A FOREIGN OFFICE SOURCE INDICATED THAT THE TWO SIDES ARE REALLY CLOSER THAN MIGHT OTHERWISE APPEAR TO BE THE CASE. ULLASTRES' LETTER WAS MEANT TO "HINT" THAT THE SPANISH ARE PREPARED TO RELAX THEIR AGRICULTURAL DEMANDS, HE SAID. DESPITE ALL THESE EFFORTS, HOWEVER, IT SEEMS LIKELY NOTHING MORE THAN ANOTHER STANDSTILL PROTOCOL WILL BE ACHIEVED AND ULLASTRES' LETTER REVEALS THIS EXPECTATION. THE TRAVELING GOS MINISTERS UNDOUBTEDLY REALIZED THIS BUT FELT COMPELLED FOR DOMESTIC CONSUMPTION PURPOSES TO MAKE THE GREAT PRESS DISPLAY THAT HAS ACCOMPANIED THESE TRIPS. FURTHERMORE, IT GIVES PUBLIC EVIDENCE THAT THE GOVERNMENT IS ACTIVE ON THE ISSUE AND AFFORDS SOME DISTRACTION FROM THE OTHERWISE RATHER GLOOMY ECONOMIC NEWS.

6. FURTHER COMMENT. REFLECTING ON THE DIFFERENT LEVELS OF UNDERSTANDING OF THE ATTITUDES OF THE VARIOUS COMMUNITY MEMBERS ON THIS ISSUE, THE FOREIGN OFFICE CONTACT OBSERVED THAT IT IS VERY DIFFICULT TO DISCERN ONE'S REAL FRIENDS. THERE ARE THOSE, HE SAID, THAT PUBLICLY PROFESS GREATEST IDENTITY OF INTEREST (READ FRANCE) BUT WHO ALSO ARE FREQUENTLY THE ONES LEAST HELPFUL IN THE CRUNCH. ON THE OTHER HAND, HE THOUGHT THE DUTCH WERE BEHAVING "PRAGMATICALLY"

IN CONTRAST TO THEIR PUBLIC IMAGE OF DOGMATIC NEGATIVISM
TOWARD SPAIN. END CONFIDENTIAL.
RIVERO

CONFIDENTIAL

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